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May 11, 1994

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C., 20554

Re: EX PARTE PRESENTATION in CC Docket No. 92-77

Dear Mr. Caton:

On behalf of Capital Network System, Inc., yesterday Robert A. Rowland and James R. Meadows, Jr. of Capital Network System, Inc., Carl Tuvin, Capital Network System consultant, and I met with Chairman Reed E. Hundt and Special Assistant Karen Brinkmann to discuss the issues in the above-referenced docket. In addition to the positions expressed in CNS's formal comments filed in the proceeding, the points in the attached outline were discussed.

In accordance with the Commission's rules, 47 C.F.R. § 1.1206(a) - (b), I am filing an two copies of this notice of ex parte presentation. Because the meeting was ocnccluded so late in the day yesterday, I am filing this notice today. Please direct any questions about this filing to me.

Sincerely,

  
Randolph J. May

Enclosure

cc: Reed E. Hundt, Chairman  
Karen Brinkmann, Special Assistant

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY  
May 1994

***CAPITAL NETWORK SYSTEM, INC.  
BILLED PARTY PREFERENCE***

- ***CAPITAL NETWORK SYSTEM, INC. BEGAN AS A START-UP COMPANY IN 1988 AS A REGIONAL CARRIER AND NOW EMPLOYS OVER 250 PEOPLE, PRIMARILY IN THE PROVISION OF OPERATOR SERVICES. TWICE NAMED TEXAS EMPLOYER OF YEAR FOR EMPLOYING DISABLED EMPLOYEES.***
- ***BILLED PARTY PREFERENCE IS UNNECESSARY TO RESOLVE ANY PERCEIVED PROBLEM IN THE OPERATOR SERVICES MARKETPLACE***
  - As a result of TOCSIA, unblocking of payphones is complete and carrier branding and signage is required so end users easily can reach their interexchange carrier of choice.
  - As far back as in its December 1992 Report to Congress, the FCC determined that access code calling had achieved substantial marketplace acceptance.
  - Today, even more than in December 1992, interexchange carriers actively and successfully market "dial around" products such as 10XXX and 800 numbers, such as MCI's 1-800-COLLECT and AT&T's 1-800-OPERATOR, and debit cards.
  - Over 60% of transient end users reach their desired interexchange carrier without any additional processing.
  - After government policy has promoted successfully the use of dial around through implementation of TOCSIA, it would be very confusing to consumers for government policy to now mandate a change in dialing patterns.

■ ***THE COSTS TO IMPLEMENT BPP ARE ENORMOUS AND CLEARLY OUTWEIGH ANY LIMITED BENEFITS***

- The record indicates that initial implementation costs would exceed \$1.5 billion, with annual ongoing operating costs in excess of \$250 million.
- A Frost and Sullivan study submitted by COMPTTEL estimates that BPP preference will cost 63¢ per telephone call affected, and this cost must ultimately be recovered from consumers.
- Payphone and premises owners will find other ways to recover lost commission revenues and this compensation will be passed on to consumers in any event.

■ ***IMPLEMENTATION OF BPP WOULD BE ANTICOMPETITIVE***

- BPP would expand the local exchange carrier monopoly and impede the development of alternative access providers.
- BPP would create a tight oligopoly in the operator services marketplace for only the very largest national interexchange carriers by eliminating smaller regional carriers as competitors.
- Although proponents couch BPP arguments as pro-consumer choice, the proponents argue against balloting of consumers and in favor of automatic assignment of operator service calls to the user's 1+ carrier. The proponents' approach assumes that 1+ and 0+ services are the same, but instead they constitute two separate markets in which competition should be promoted in each.

■ ***THE COMMISSION SHOULD TERMINATE THE BPP PROCEEDING AND INSTEAD TAKE ACTIONS TO REDUCE OSP COSTS***

- For the above reasons, the FCC should terminate the BPP proceeding without further delay.
- In order to reduce OSP rates, the Commission should take actions to reduce OSP costs. The FCC failed to grant the CNS/COMPTEL Petition to require LECs to make available billing and collection services on a nondiscriminatory basis and the FCC's action increases OSPs' costs vis-a-vis AT&T's. For example, lack of nondiscriminatory billing and collection services means OSPs have much higher per record collection costs and uncollectible revenues.
- The FCC failed to mandate nondiscriminatory validation access for AT&T's CIID card and this action increases OSPs' costs vis-a-vis AT&T's.
- In no event should the FCC consider imposing industry-wide rate ceilings on OSPs because OSPs have widely varying cost structures and any such generic rate ceilings would exceed the Commission's statutory authority and likely would be unconstitutional.